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Daily Environment Report

Afternoon Briefing - Your Preview of Today's News

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Pruitt Sees Glimmer of Hope for Water Infrastructure in Trump Speech

Posted March 01, 2017, 03:52 P.M. ET

By Dean Scott

President Donald Trump barely mentioned clean water but did talk a lot about infrastructure in his speech to Congress Feb. 28—enough to assure the new head of the Environmental Protection Agency that U.S. water projects won't be an afterthought in Trump's $1 trillion infrastructure spending effort.

"I think infrastructure at times is interpreted only as roads and bridges," Scott Pruitt, who was confirmed to head the agency less than two weeks ago, told Bloomberg BNA after Trump's address to Congress.

Pruitt said he has been quietly urging the White House to be sure to set aside some of the new funding Trump is readying for transportation and other infrastructure; Trump vowed to find $1 trillion in combined public and private money.

"One of the things I've tried, in communicating to the White House, is that when we talk about infrastructure spending outside of the budget this year, water infrastructure needs to be part of that," Pruitt said in an interview.

"It's a key aspect of how we do business with the states," Pruitt said. States rely heavily on federal dollars for water infrastructure improvements: Since 1987, according to EPA figures, the federal Clean Water State Revolving Fund has provided more than $118.8 billion in funding and loans to local communities for water projects.

In addition, the Association of Metropolitan Water Agencies has estimated that the nation's water infrastructure needs could increase by as much as $944 billion by 2050.

A Telling Reference to `Clear' Water?

It remains unclear, however, how much of a priority infrastructure will be. Trump and Congress currently are wrestling with a crowded legislative agenda that includes confirmation of his Cabinet and other officials as well as the Affordable Care Act and fiscal 2018 budget.

It's also unclear how a bigger emphasis on water projects would be squared with Trump's broader budget priorities, which reportedly include deep cuts in the EPA's budget of roughly $8 billion. Overall, Trump said little in his first speech before a joint session of Congress on the environment and water issues beyond pledging to work with both parties "to promote clean air and clear" water.

But Pruitt saw a connection. "I think [a] clean air and water reference in the speech is encouraging, but we've got work to do with respect to our team" in elevating the importance of water projects to the White House, Pruitt said.

Infrastructure spending "after all, is very essential to our water quality, as you know," Pruitt said. "And that's something I hope to build and to advance to the White House with success—through infrastructure spending."

Pruitt didn't seem overly concerned about one big omission in Trump's speech—any reference to solar, wind or other renewable energy; in fact, the president never actually uttered the word "energy" in his hour-long speech.

Trump also didn't mention the Flint, Mich., water crisis due to lead contamination in the community's drinking water, though he said the U.S. has lost its way in funding one "global project after another" while ignoring "the fates of our children in the inner cities" of Chicago, Baltimore and Flint's neighboring city, Detroit.

Silence on Renewable Energy

Pruitt—who was seen by Democrats and environmental groups as too friendly to industry in repeatedly suing the EPA during his previous post as Oklahoma attorney general—said the omission of any clean energy reference wasn't surprising.

"Look, I didn't take anything from that, you know, that part of what he said tonight was [Trump] being anti-renewable energy," Pruitt said.

The president did refer to energy-related projects, such as his efforts to restart the Keystone XL pipeline. But the president steered clear of any mention of climate change, and the absence of a line or two on clean energy was a departure from what had been reliable applause lines in such speeches for President Barack Obama but also George W. Bush.

"What the president has said, and I think it's right, is that historically we shouldn't use regulatory policy to pick winners and losers" in pitting renewable energy against other sources such as natural gas and coal, Pruitt said.

"I mean, in my state of Oklahoma, we are in the top three of the country in providing electricity through renewable energy like wind, and that's a good thing," the EPA head said.

Utilities that generate electricity should be able to make "a market-based decision" in choosing their energy mix, Pruitt said.

Senate Confirms Zinke, Putting Outdoor Enthusiast Atop Interior

Posted March 01, 2017, 11:28 A.M. ET

By Jennifer A. Dlouhy

The Senate confirmed Ryan Zinke to lead the Interior Department, putting a self-described Teddy Roosevelt Republican in charge of making decisions about where—and whether—to allow drilling and mining on U.S. public lands.

Roughly 20 percent of the nations land is now under Zinke's watch, after the Senate's 68-31 vote to clear the fifth-generation Montanan to be the nation's 52nd Interior secretary on March 1.

With Zinke at the helm, Trump's Interior Department is set to prioritize coal, oil and natural gas development over renewable projects on federal lands and waters. And at least one change could happen right away: President Donald Trump has vowed to lift an Obama-era moratorium on new sales of federally owned coal, and Zinke can rescind that ban by a secretarial order.

He knows we must strike this balance between conservation and responsible energy development, Sen. Steve Daines, a Republican from Montana, said ahead of the vote March 1. He understands more than anyone I know that these one-size-fits-all policies of Washington, D.C., never work for rural America.

The Interior Department is on the front lines of Trump's repeated pledge to expand U.S. energy development and remove obstacles to exploration. Under Zinke, the department is expected to begin rewriting a plan for leasing oil and gas leases in U.S. waters to fold in Arctic and Atlantic acreage left out of the Obama administration's sale schedule. It also may work to undo a last-minute decision by President Barack Obama to rule out future leasing in more than 100 million acres of the U.S. Arctic as well as undersea canyons in the Atlantic Ocean. The Interior Department will have to justify those policy reversals.

Modifying a leasing program is a heavy political lift, said Kevin Ewing, a partner at Bracewell LLP. Its also a heavy legal lift because you need a record that fully supports the revision or the substitution you make.

Coal Leasing Program

Democrats encouraged Zinke not to abandon a broad, underlying review of the federal coal leasing program that was designed to coincide with the moratorium. In January the Interior Department recommended further study of ideas for overhauling the way the U.S. sells coal on federal land, including proposals to embed carbon costs into leases and require companies pay into funds to help out-of-work miners.

At a confirmation hearing in January, Zinke promised to be a steward of the nation's public lands and waters by responsibly balancing energy development, recreational activities and preservation. While some lands deserve special recognition and are best insulated from development, Zinke said, most federal holdings are better suited for an array of multiple uses.

Some Senate Democrats were not convinced. Washington state's Maria Cantwell, the top Democrat on the Senate Energy and Natural Resources Committee, said she opposed Zinke because she didn't think he'd be a check against Trump administration policies to expand energy development on public lands.

As Interior secretary, Zinke will be required to manage our public lands for the benefit of all Americans—not just the oil, gas and mining companies and their commercial interests, Cantwell said. I'm not sure he will be able to stand up to the president and protect the public interest.

An avid hunter and angler, Zinke, 55, has endorsed a permanent extension of the Land and Water Conservation Fund, which uses revenue from offshore oil and gas development to help states build outdoor recreational facilities and purchase new territory for recreation. He has emphasized the importance of rebuilding relationships with landowners and local governments in the West angry with federal management policies. And Zinke has said he wants to address a $12.5 billion backlog of maintenance needs in national parks.

A former member of the Navys elite SEAL Team Six, Zinke was awarded two Bronze Stars for missions in Iraq. After leaving the Navy, he was elected to represent his Northern Montana home of Whitefish in the state Senate before ascending to Congress, where he was just re-elected for a second term.

—With assistance from Ari Natter.

House Passes Bill to Create Regulatory Review Commission

Posted March 01, 2017, 03:11 P.M. ET

By Cheryl Bolen

The House passed by a vote of 240-185 a bill (H.R. 998) that would establish a regulatory review commission to identify regulations for repeal, with the goal of reducing the economic costs of regulations by 15 percent.

The Searching for and Cutting Regulations that are Unnecessarily Burdensome (SCRUB) Act, sponsored by Rep. Jason Smith (R-Mo.), was similarly approved by the House in the last session of Congress, but it did not advance in the Senate.

The House began consideration of the bill Feb. 28 and continued March 1, debating and rejecting an additional five amendments to the bill offered by Democrats that would have exempted certain areas of regulation from repeal.

"No regulations should be exempt from this bill," said Rep. Dennis Ross (R-Fla.), during debate. "The commission focuses on rules and regulations that are out-of-date, no longer useful and otherwise unnecessary or obsolete," he said.

Trump's Golf Courses Would Benefit from His Water-Rule Rollback

Posted March 01, 2017, 03:24 P.M. ET

By Ben Brody

President Donald Trump's Feb. 28 order to rescind and rewrite federal water regulations not only coincides with his conservative agenda but also could cut his costs as an owner of a dozen U.S. golf courses, again raising concerns about conflict of interest in the White House.

The directive to reconsider the 2015 “Waters of the U.S.” rule, which formed part of a larger elaboration of the Clean Water Act, is a win for critics of the Environmental Protection Agency who say it gives the federal government too much power over waterways.

“I would say this is a very high priority to us,” Bob Helland, head lobbyist for the 17,000 member Golf Course Superintendents Association of America, said in an interview. “We are pleased to see that there is an effort to revisit the rule under this executive order.”

The Trump Organization lists 17 golf courses among its properties, including 12 in the U.S. that probably would be subject to the rule. The golf industry, along with numerous business groups, has been trying to kill the rule since before President Barack Obama finalized it in June 2015. It has been under legal challenge and so far hasn’t been put into effect. Once it takes effect, it would raise costs for golf courses.

‘Economically Burdened’

Although the industry has been decreasing its use of water, the golfing association, which includes more than 20 Trump employees, helped lead the opposition, spending $30,000 on lobbying during the quarter when the rule was finalized, according to filings to the Senate Office of Public Records required under the Lobby Disclosure Act.

In November 2014, the association’s chief executive officer, Rhett Evans, joined others to write that courses “would find themselves economically burdened, if not unable to operate profitably” under an earlier version of the rule.

The Trump Organization did not hire anyone to work on the issue directly.

Trump—an avid golfer whom “Golf Digest” magazine called the “Golfer-in-Chief”—has occasionally weighed in on the appearance of courses, as when he tweeted about “the horrible look of Pinehurst” during the 2014 U.S. Open. The club had decreased watering as part of conservation-minded efforts.

Trump’s opponents were quick to see his move as driven by his own interests rather than the country’s.

“Trump’s water-rule rollback is great for golf-course owners, but not so much for people who drink water,” said Adrienne Watson, a spokeswoman for the Democratic National Committee. The owners, including Trump, are “probably pleased,” she added, but the “actions hurt the health of Americans and jeopardize the well being of our planet.”

A White House spokeswoman did not immediately respond to requests for comment.

Conflict Questions

Before his inauguration, Trump’s presidential transition team provided a list of organizations from which it said he had resigned as an officer. He has faced criticism for retaining an ownership stake in more than 500 companies all over the world with $3.6 billion of assets and more than $600 million in debt.

Top government ethicists, several Democratic politicians and even some Republicans have said he should have divested from his unprecedented holdings, as his modern predecessors have, to avoid both the possibility for influence and questions about his decisions.

Trump's plan to step down without divesting is "meaningless from a conflicts-of-interest perspective," Walter Shaub, director of the U.S. Office of Government Ethics, said after Trump announced his plan Jan. 11.

Lack of Clarity

Helland, the golf-association lobbyist, said he hasn't met with members of the administration and cited lack of clarity about owners' obligations under the rule. He noted the treatment of man-made water features as an area of concern, especially when, he said, the average golf course has 11 acres of water bodies, including lakes, ponds, wetlands and streams.

Course owners weren't alone in the opposition: Groups including the U.S. Chamber of Commerce, Chevron Corp., the National Association of Home Builders and the National Mining Association all lobbied on the issue during the quarter when it was finalized, according to the filings, as part of broader lobbying efforts worth more than $60 million.

In addition, dozens of states as well as business and agricultural groups challenged the rule in federal court. The administration will ask the court to cease consideration during the review, according to a White House official, who spoke on condition of anonymity. Trump's picks for his administration, especially EPA Administrator Scott Pruitt, also have expressed broad opposition to several environmental regulations.

--With assistance from Patrick Clark.

N.Y., Massachusetts Refuse Subpoena from House Republicans

Posted March 01, 2017, 02:40 P.M. ET

By Erik Larson

New York and Massachusetts are refusing to comply with subpoenas from House Republicans over the states' probes into whether Exxon Mobil Corp.'s public statements about climate change misled investors.

In a letter dated Feb. 28 to Texas Rep. Lamar Smith, the Republican chairman of the House Committee on Science, Space and Technology, New York Attorney General Eric Schneiderman said the committee's subpoena "oversteps the boundaries imposed by federalism, separation of powers, Committee jurisdiction and pertinency requirements."

A separate letter, sent Feb. 28 by Massachusetts Attorney General Maura Healey, called the subpoena "an unconstitutional, impermissible and unprecedented interference with a legitimate and ongoing state law enforcement investigation." In order to "better understand the committee's position and to facilitate a prospective discussion," Healey requested that Smith provide her with records related to its subpoenas of the attorneys general.

Smith's committee, which questions the legitimacy of the probes, subpoenaed Schneiderman and

Healey on Feb. 16, demanding detailed information about their investigations. They were given a March 2 deadline.

Smith and other Republicans argue the probes were started in “bad faith” because the attorneys general had reached their conclusions beforehand after extensive meetings with environmentalists. They argue the probes threaten to hinder research by scientists who disagree that humans cause climate change.

The letters to Smith were sent a day after more than a dozen Democratic state attorneys general urged the committee to end its legal fight with New York and Massachusetts.

A spokesman for Smith’s committee was not immediately available for comment.

Trump May Ground Flying Wind Turbines That Soared Under Obama

Posted March 01, 2017, 7:58 A.M. ET

By Ari Natter

Saul Griffith first tested a flying wing that could send wind turbines high into the atmosphere from the roof of the MIT Media Lab. At an altitude of 1,000 feet, the wind blasts consistently, making the power source cheaper and more reliable.

But in 2009, after eight years of tinkering, his company Makani Power and its flying wind generators were in trouble. With the recession at its peak, Griffith hit a point familiar to other energy inventors: his ability to make money from his technology was still years away but he couldn’t find new private capital to keep the enterprise afloat.

Into this so-called Valley of Death stepped the federal government with emergency supplies. Makani got a $4 million grant from the Advanced Research Projects Agency-Energy, a program created with bipartisan support under President George W. Bush and first funded under Barack Obama. A few years later he sold Makani to Google Inc.

ARPA-E is the only reason the project continued to exist. said Griffith. If ARPA-E goes away, high-risk energy research will die in this country.

ARPA-E, which is held its annual conference near Washington this week, has doled out about $1.5 billion to 580 different projects since its first funding in the 2009 stimulus. Modeled after the military’s research arm that’s credited with inventing the internet and GPS, ARPA-Es stated goal is to help inventors translate science into breakthrough technologies. Many of the ideas sound fantastical: a personal air conditioner that follows you around or a squid-skin inspired shirt to regulate body temperature. None are sure bets, and the program has had its share of failures. A carbon capture technique using enzymes was cancelled.

Now the program itself is at risk of cancellation.

President Donald Trump pledged this week to slash spending across the government, and programs like ARPA-E, which is administered by the Department of Energy, face deep cuts or possible elimination. And, with the antipathy among Trumps team for the efforts to address climate change under Obama, programs like ARPA-E are near the top of the budget hit list.

“It’s unclear to me what purpose ARPA-E actually plays,” said Jack Spencer, a vice president of Heritage and a former member of Trump’s Energy department transition team. The Valley of Death is where bad ideas go to die.

Even before Trump’s inauguration, his Energy department landing team requested a complete list of ARPA-Es projects, according to a leaked memo. Former congressman Mick Mulvaney, Trump’s budget chief, authored an amendment in 2012 that would have slashed its funding. Budget blue prints issued by both the Republican Study Committee, a group of fiscally conservative lawmakers, and the Heritage Foundation called for killing it off.

Heritage also cited a watchdog report that found the agency awarded several grants to companies that had already gotten private financing. Congress should instead make the Energy department focus on doing the basic research and let the private sector figure out how to commercialize it, the group argues.

“We haven’t seen any budget yet so there is nothing for me to comment on there,” Eric Rohlfing, ARPA-E’s acting director said in an interview. “A transition is a complicated process and so what we have been doing is talking with the transition team explaining who we are, what we do, how we do it, and why it’s impactful and successful.”

Like many of the programs in the sights of the administration, killing it outright may be easier proposed than accomplished. ARPA-E has its proponents, and they’re not just among those tinkering in Northern California garages or marching against oil pipelines.

Among its supporters on Capitol Hill are Republican Senators Lisa Murkowski, chairman of the Senate Energy and Natural Resources Committee, and Lamar Alexander, chairman of the energy panel of the Appropriations Committee. Rick Perry, Trumps pick to head the Energy department, pledged to be engaged in ARPA-E, but indicated it may face some budget cuts. He vowed to work with Congress to ensure an appropriate funding level.

“This is not one that I’m terribly worried about,” said Rich Powell, managing director of policy and strategy for ClearPath Action, a group founded to encourage Republicans to support clean energy. Once Trump’s team engages deeply with these programs they’re going to realize that this is not a place to cut deeply.

Business heavyweights such as Bill Gates, the Microsoft Corp. founder and Tom Fanning, president of Southern Co., have banded together as part of the American Energy Innovation Council to argue ARPA-E financing should increase to $1 billion a year, about triple its current level. Unlike the Energy department’s loan program, which had the high-profile failure after solar developer Solyndra went bankrupt, ARPA-E provides smaller grants to projects at an earlier stage of development and so the individual risks are lower.

And now proponents have hit on a new way to try and garner support. After eight years of pitching projects on their ability to cut fossil-fuel use and curtail carbon emissions, advocates are making an argument that may resonate with the new administration: It’s all about creating American jobs.

Griffith has moved on from high-flying wind power to a handful of other projects funded by the agency. A more recent endeavor would store natural gas for vehicle use in tubes modeled after the human intestine.

"ARPA-E deserves to be expanded five-fold if we want to make America energy independent and have the jobs of the 21st century," he said.

--With assistance from Jennifer A. Dlouhy.

Wind Power Seen Gaining from Policy Shift at U.K. Treasury

Posted March 01, 2017, 02:31 P.M. ET

By Jessica Shankleman

The U.K. government is working to change the way it accounts for renewable-energy subsidies, a shift likely to give a boost to wind farms by softening limits on new installations in the countryside.

The Treasury confirmed it's considering changes to the current system and will make an announcement in the budget March 8. People in the renewables industry consulted by ministers said the government is considering three options that could make clean energy appear cheaper to the public purse and emphasize the need to build more power plants.

"At the moment, it's leading to counter-intuitive outcomes," said Nick Molho, executive director of the Aldersgate Group, an alliance of business leaders, politicians and non-profit groups discussing the changes with the Treasury. "The net cost doesn't change, but the way it's presented will be clearer because you're acknowledging we need to build new capacity to keep the lights on."

The move reflects the government's need by its own estimate to raise 100 billion pounds ($124 billion) to maintain electricity supplies after 2020. Prime Minister Theresa May's administration is seeking to balance the need for new power against a promise to eliminate subsidies for new onshore wind farms, which while cheap to build are a blight on the landscape for some voters.

Government ministers in December acknowledged they needed to change the way the current system works to bolster the confidence of investors seeking to back new power stations. To date, ministers have focused on replacing aging coal and atomic-energy plants with a combination of renewables and new nuclear reactors. The need to firm up the current system became more urgent last month when Toshiba Corp. took a $6.3 billion writedown on its nuclear power business, raising concerns it won't be able to support projects in the U.K.

The current system is governed by the Levy Control Framework, which was established to ensure the subsidy for renewables didn't spiral out of control. It set a cap on the amount of renewables capacity that could qualify for support under feed-in tariffs and Renewable Obligation Certificates, which allow all developers with qualifying projects to get subsidy.

"The government is considering the future of the Levy Control Framework which it will set out at budget 2017," a Treasury spokeswoman said in a statement.

In the past few years, the government has wrested control over the amount it spends on subsidy by auctioning off contracts and scaling back more free-wheeling programs.

The other problem with the current system is that it calculates the cap on renewables against the cost of doing nothing. That injects into the system a prejudice against building new power plants when ministers are seeking to encourage new investments.

“The levy control framework is deeply misleading,” said Dustin Benton, acting director of the Green Alliance, a pro-renewables research group that has submitted its suggestions to the Treasury. “Its design makes renewables look artificially expensive. It compares the cost of new renewables with old fossil and nuclear power stations, whose capital costs were recouped decades ago.”

Ministers may decide on an accounting fix to the framework. That would involve calculating the amount of subsidy by comparing the price of renewables based on what it would cost to build a new natural-gas power plant instead of the cost of doing nothing. It also could set targets for the amount of capacity that needs to be installed. Or they could keep the current framework in place and set a new budget.

Change Needed

A decision is necessary because the government hasn’t yet set out how it will stimulate renewables after 2020. Since clean energy is a growing part of U.K.’s power mix, investors are reluctant to commit to new projects until they know how that system will work. The government has said it wants to phase out all coal plants by 2025, and most of the current nuclear stations are due to finish their life in service within the next decade.

“The U.K. needs new generation,” Benton said. “A fairer comparison would pit new combined-cycle gas turbines, including the cost of their carbon pollution, against renewables.”

Such a change could have a big impact on the ability of developers to build new onshore wind farms. Under the current system, costs are calculated based on wholesale power prices, which have been falling. A drop in power prices makes renewables look more expensive. Calculating those costs based on the price of a natural gas plant would make a more stable comparison—and one more favorable to wind, which is almost cheap enough to compete with gas on price.

A shift may benefit the Big Six utilities, Centrica Plc, Electricite de France , EON SE, RWE AG, nPower Ltd., Scottish Power Ltd. and SSE Plc, according to Victoria Cuming, an analyst at Bloomberg New Energy Finance in London. Siemens AG, Vestas Wind Systems A/S and Senvion SA are the leading wind turbine suppliers in the U.K.

Political Calculation

Benton estimates that such an accounting change would reduce U.K.’s subsidy bill by about 2.5 billion pounds between 2020 and 2025. That would allow more developers to claim they can build wind farms without drawing subsidy, a key manifesto commitment of May’s Conservative government.

It would allow the Treasury to offer new onshore wind farms “subsidy free” contracts that match the price of new gas plant, said Molho of Aldersgate Group. It would also allow Scotland to build new capacity to meet its 100 percent renewable electricity target while not running afoul of the Conservative promise not to subsidize new onshore wind farms, he said.

“There will be a desire to find a solution that works for the Conservative manifesto and for Scotland,” he said.

The Scottish government in January set a target for at least 50 percent of its total energy -- including heat -- to come from renewable sources in 2030, and make Scotland the first areas of the U.K. to host subsidy free onshore wind.

—With assistance from Svenja O'Donnell.

Putin's Russia Seen Dominating European Gas for Two Decades

Posted March 01, 2017, 8:50 A.M. ET

By Elena Mazneva and Anna Shiryaevskaya

Europe has wanted to wean itself from Russian natural gas ever since supplies from its eastern neighbor dropped during freezing weather in 2009. Almost a decade later, the region has never been more dependent.

Gazprom PJSC, Russia's state-run export monopoly, shipped a record amount of gas to the European Union last year and accounts for about 34 percent of the trading blocs use of the fuel. Russia will remain the biggest source of supply through 2035, Royal Dutch Shell Plc said last week, echoing comments by BP Plc in January.

EU lawmakers have had their hearts set on diversifying supplies with liquefied natural gas delivered by tanker from the U.S., where production of the fuel skyrocketed last year. So far, those shipments have failed to materialize amid a lack of firm contracts and higher prices outside Europe. Overall, LNG shipments to the region, led by Qatar, were stagnant last year.

Russia will for sure remain Europe's largest gas supplier for at least two more decades, even if most of the incremental gains in EU imports are met by LNG from somewhere else, said Vladimir Drebentsov, chief economist for Russia and CIS at BP in Moscow.

Gazprom Chairman Viktor Zubkov reiterated on Feb. 27 that 2017 European exports are expected to be close to last years level.

But the company may face greater competition from LNG this summer as its oil-linked prices become less attractive relative to market rates, according to London-based analysts from Energy Aspects Ltd. to BMI Research.

More LNG will arrive in Europe from about mid-year as new plants start producing the fuel in the U.S. and Australia, increasing supply options for customers. Russian gas will also become more expensive after last years 52 percent gain in Brent crude.

The company has means to remain competitive. After adjusting price formulas in its export contracts, Gazprom has diluted the influence of oil prices in favor of linking revenue to Europes' traded gas markets, a person close to the state-controlled producer said in October. That means its prices will adjust if a sudden inflow of gas from elsewhere depresses the market.

"I think there's a lot more that Russia can do," Melissa Stark, managing director for Energy and Utilities at Accenture Plc, said in an interview in London. "They can even be more commercial than they have been in the past. They've not had to be that commercially aggressive because they've a long-term contract type situation that they've been able to dominate."

Europe's domestic output is declining because of the natural aging of fields in the North Sea and production limits at the Dutch Groningen field, Europe's biggest.

There should be space for both increased LNG and Russian gas in light of shrinking domestic production in the EU and improving demand, according to Christopher Haines, head of oil and gas at BMI Research. That's provided Russian gas prices continue to evolve to more closely reflect European hub prices, he said.

Any fluctuations in Russian supplies into Europe tend to whipsaw markets. In January 2009, when the dispute with Ukraine last disrupted supplies, U.K. prices soared as much as 27 percent in one day.

Counteragents

Russia has enough reserves to remain Europe's main gas provider for years to come, President Vladimir Putin said in December.

Gazprom is supplying more gas to Europe than Russia or the Soviet Union ever did, he said. We have enough gas for ourselves, even considering the growing requirements of the Russian economy, and for our counteragents, the buyers of our gas.

LNG will by 2025 surpass Norwegian gas as a share of supply, with both the liquid fuel and imports from Russia needed to offset declining domestic production, according to Shell, which controls about a fifth of the world's LNG trade. Russia's share of EU gas consumption will rise to 40 percent by 2035 from more than 30 percent now, according to BP.

Gazprom gas sales abroad account for more than 10 percent of Russia's total exports and the company sees its market share holding or rising slightly to about 35 percent by 2025, management board member Oleg Aksyutin told investors in Singapore Feb. 28.

Europe will remain Gazprom's priority market and no one else can provide gas at the same price, Deputy Chief Executive Officer Alexander Medvedev said at the same event. U.S. LNG costs some 30 percent more than Gazprom's gas in Europe supplied through its most expensive route, via Ukraine, Aksyutin said.

"There are so many moving parts now," said James Henderson, an analyst at the Oxford Institute for Energy Studies. "So many more things are happening around the world that have an impact on the European gas market."

--With assistance from Kelly Gilblom, Dina Khrennikova and Marine Strauss.

China Said to Order Steel, Aluminum Curbs to Fight Pollution

Posted March 01, 2017, 11:19 A.M. ET

By Bloomberg News

China has ordered curbs on steel and aluminum output in as many as 28 northern cities during the winter heating season as it steps up its fight against pollution, according to people with knowledge of the matter.

The cuts include halving steel capacity in four major cities, including top producer Tangshan in Hebei province, according to the people, who asked not to be identified because the matter is confidential. The other cities are Shijiazhuang and Handan in Hebei, and Anyang in the neighboring province of Henan.

The plan calls for cuts in aluminum capacity of more than 30 percent across 28 cities, and by about 30 percent for alumina capacity, according to the people, who cited an order issued late last month by authorities including the Ministry of Environmental Protection and the National Development and Reform Commission.

The plan doesn't specify which heating season—which typically runs from November to March—will be affected by the curbs, nor a figure for the total capacity involved. A draft of the order circulated in January.

Huge Losses

The cities mentioned in Hebei have 70 to 80 percent of the provinces total capacity, Yu Chen, an analyst with consultancy Mysteel Research, said by phone from Shanghai. A 50 percent cut will lead to huge production losses, which may lead to short-term tightness in steel supply, he said.

It won't have an immediate impact, though, given the current heating season is ending soon, said Yu. The full impact will also depend on the detailed measures taken by local governments to implement the order. Steel reinforcement bar in Shanghai rose 2.1 percent to 3,542 yuan a ton.

These measures, if well executed, could bring potential upside risk to aluminum, alumina and steel prices in China, analysts led by Jack Shang at Citigroup Inc. said in an e-mailed note. They could lead to a 5 percent loss in the nation's total aluminum production, 9 percent in alumina and 3 percent in steel, the analysts said, assuming a four-month halt.

China is the world's top producer and consumer of the metals. U.S. aluminum producer Alcoa Corp.'s chief executive officer said earlier that China's aluminum curtailments could be a game changer for the market if implemented. Aluminum in Shanghai added 3 percent, the biggest gain since Nov. 10, to 14,180 yuan a ton.

Calls to the environmental ministry's news department weren't answered. The NDRC, China's top economic planning agency, didn't respond to a fax seeking comment. Air pollution peaks in winter due to coal-fired heating.

The plan follows a directive last week in which China ordered steel mills in northern Hebei province and Tianjin municipality to curb output to ensure air quality during the annual parliament meeting in Beijing this month.

Porsche Diesel-Scandal Lawsuits Bundled by Stuttgart Court

Posted March 01, 2017, 11:13 A.M. ET

By Karin Matussek

Porsche Automobil Holding SE faces a test case on the way the company informed markets about the potential impact of the diesel scandal at its main asset, Volkswagen AG, after a German court took the first step to bundle about 150 investor lawsuits filed over the issue.

The Stuttgart Regional Court on Feb. 28 sent the case to an appeals panel to centrally collect evidence, plaintiff lawyer Andreas Tilp said in a March 1 e-mailed statement. Tilp filed the suit arguing that Porsche, as the majority VW shareholder, had a duty to disclose the risk of the investment to its own investors.

Volkswagen is facing a similar case in a Braunschweig court. The test-case procedure is a form of group litigation available in German shareholder suits that's akin to U.S. class actions. While Tilp also has sued VW in Stuttgart, the court hasn't yet ruled on whether Volkswagen needs to be added to the test case. Porsche is located in Stuttgart while Braunschweig's court has oversight over Volkswagen's hometown of Wolfsburg.

Volkswagen disclosed in September 2015 that a range of its diesel-powered cars had software that cheated on emissions-test results, resulting in penalties in the U.S. and probes in Germany.

Porsche welcomes the ruling as it may lead to a faster dismissal of the suits, company spokesman Albrecht Bamler said in an e-mailed statement. VW spokesman Eric Felber said the company takes note of the ruling.

The amount sought in the suits totals about 900 million euros ($948 million). The Porsche shareholders say they lost money because the company failed to disclose in a timely manner the risks Volkswagen faces from installing the software, which only activated pollution controls during emissions tests.

Since then-Volkswagen Chief Executive Officer Martin Winterkorn also served as Porsche's head, the company, which owns more than 50 percent of VWs voting stock, should have disclosed the scheme on its own and much earlier, investors argue.

Under the ruling, the appeals court will look into whether Porsche had a duty as the main shareholder to disclose the details on the diesel affair dating back to as early as May 2014. The Stuttgart Appeals Court will also have to rule on whether Porsche will be treated as having the same knowledge as VW about details if people who served on boards of both companies knew about it.

The case is: LG Stuttgart, 22 AR 1/17.

EU Carbon Permits Jump After Ministers Agree on Market Overhaul

Posted March 01, 2017, 8:26 A.M. ET

By Mathew Carr

European Union emission allowances climbed to the highest in a month and trading surged after environment ministers agreed on a carbon-market overhaul aimed at reducing a glut and boosting prices from 2019.

The proposal includes doubling the rate at which a mooted reserve would absorb surplus emission allowances from the market, according to the accord struck late Feb. 28 in Brussels. The deal includes an option to cancel the equivalent of two years worth of allowances by 2030, based on calculations by Sandbag, an environmental group in London.

EU lawmakers are attempting to reform the blocs $48 billion cap-and-trade system, where a glut of carbon permits has pushed prices down more than 80 percent since 2008 and eroded the penalty for polluting. The pact agreed on Feb. 28 paves the way for negotiations with the European Parliament and the European Commission on the final legislation.

The proposals approved by ministers appear to be better than expected, said Tom Lord, who buys carbon permits for clients at Redshaw Advisors Ltd. in London. Instead of watering them down, it looks like they strengthened them, which boosts the ambition.

Permits for December rose as much as 5.5 percent to 5.54 euros ($5.83) a metric ton on the ICE Futures Europe exchange in London, the highest since Jan. 23. The volume of benchmark contracts traded March 1 jumped to 16.8 million tons, the most in more than a month, ICE data show.

Cancel Option

The so-called market stability reserve would remove permits from the market at a rate of 24 percent of the glut per year, double the original plan. The deal includes an option to cancel allowances in the reserve from 2024, so that only the equivalent of the previous years auctioned volume remains in the pot.

A complementary strengthening measure will be taken by canceling allowances in the market stability reserve, EU Climate and Energy Commissioner Miguel Arias Canete said Feb. 28. This will reinforce the investment signals of the carbon market.

The cancellation option means about 3 billion tons of permits from the planned reserve can be permanently retired through 2030, mostly in 2024, according to Sandbag. That's equivalent to about 20 months of emissions from factories and power stations covered by the EU's trading system, which gives away or auctions allowances to more than 12,000 polluters.

Member states have now recognized the importance of limiting the volume of surplus in the market stability reserve, Rachel Soloman Williams, managing director at Sandbag, said in a note on its website. This means that prospects for the long-term future of the emissions trading system look much stronger.

The agreement among EU environment ministers would keep the annual pace of carbon cuts in the market at 2.2 percent a year from 2021.

--With assistance from Marine Strauss, Jonathan Stearns and Ewa Krukowska.

Losing Bidder Files Legal Challenge Over Sale of U.K. Green Bank

Posted March 01, 2017, 8:14 A.M. ET

By Jessica Shankleman

Sustainable Development Capital LLP initiated legal proceedings against the U.K. government's planned sale of its U.K. Green Investment Bank Plc, after the energy investment firm failed to win preferred bidder status.

The preferred bidder status awarded to another party was not compliant with criteria set out by the government, SDCL said in a March 1 statement. The government selected Macquarie Group Ltd. as the preferred bidder, people familiar with the deal said in October.

The fact that no deal was completed within the targeted timetable attests to the fact that the preferred bid was neither deliverable within the timeframe, nor acceptable, according to the statement.

Green Investment Bank, set up by the government in 2012 to speed Britain's switch from fossil fuel-fired power generation, has backed projects from wind farms to biogas plants. It was put up for sale last year as part of a drive to raise money from privatization.

"We are not going to comment on an ongoing legal matter," said a spokesman for the Department for Business, Energy & Industrial Strategy.